

**BULLETIN**  
**CHILD NUTRITION PROGRAMS**

**NSLP 9-09**

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**SUBJECT: Economic Price Adjustments in Vendor Contracts**

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This bulletin is to emphasize the importance of including an economic price adjustment clause (escalator) in contracts with vendors and also of carefully enforcing the terms of the clause and demand price reductions when appropriate.

A contract with an economic price adjustment is appropriate when:

- Contract performance will or may cover an extended period of time;
- There is serious doubt concerning the stability of market conditions during the period of the contract;
- Adjustment standards or indices agreed to are based on contingencies outside the contractor's control; and
- Contingencies, such as increases in labor costs, that would otherwise be included in the contract price can be identified and covered separately in the contract.

The economic price adjustments must be tied to an appropriate standard or cost index to ensure that increases under the contract are not without basis. For example, if fuel prices are increasing drastically, then an appropriate index – such as the Consumer Price Index – will reflect this change.

As always, the terms of the economic price adjustment, including the appropriate standards or indices to which it will be tied, must be expressly identified in the original solicitation and contract documents. Additionally, the contract must be awarded to the lowest-priced, responsible, and responsive bidder.